

EU AGRI-FOOD QUALITY SCHEMES  
AND POTENTIAL BENEFITS FOR THE REGISTRATION OF  
PGI'S AND PDO'S FOR SERBIAN AGRICULTURAL PRODUCTS  
AND FOODSTUFFS IN THE PROSPECT OF EU NEGOTIATIONS





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EU NEGOTIATIONS

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**POLICY PAPER**



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EUROPEAN POLICY CENTRE, BELGRADE  
Ksenija Simović

## Contents:

INTRODUCTION .....	3
I. THE EU LEGISLATION CONCERNING PRODUCT QUALITY SCHEMES .....	4
II. GOOD EXAMPLES - A CASE STUDY OF EU MEMBER STATE'S APPROACH TO REGISTRATION OF TRADITIONAL PRODUCTS.....	10
III. SERBIA AND GEOGRAPHICAL INDICATIONS: CURRENT SITUATION AND FUTURE PERSPECTIVES.....	17
IV. ECONOMICS: DRIVING FORCE BEHIND THE REGISTRATION OF AGRI-FOOD PRODUCTS.....	23
V. CONCLUSIONS.....	27
VI. REFERENCES and ANNEX .....	29

## List of abbreviations

<b>AOC</b>	<i>Appellation d’Origine Contrôlée</i>
<b>DOC</b>	<i>Denominazione d’Origine Controllata</i>
<b>EFTA</b>	European Free Trade Association
<b>EU</b>	European Union
<b>TSG</b>	Straditional Specialty Guaranteed
<b>IPARD</b>	Instrument for Pre-accession Assistance, Rural Development
<b>PDO</b>	Protected Designation of Origin
<b>RS OG</b>	Official Gazette of the Republic of Serbia
<b>TRIPS</b>	Trade-Related Aspects of Intellectual Property Rights
<b>PGI</b>	Protected Geographical Indication

## List of Illustrations

Picture 1: Official logos for: PDO, PGI and TSG, Source: European Commission.....	4
Picture 2: Registration process; source: European Commission .....	9
Picture 3: Toscany ham .....	11
Picture 4: Parmigiano Reggiano .....	12
Picture 5: Mozzaarela di Bufala .....	12
Picture 6: Ardèche chestnuts .....	14
Picture 7: Roquefort cheese .....	15
Picture 8: The “Bouchot Mussels” .....	15
Picture 9: Label Rouge .....	16
Picture 10: Serbian stamps of approval of PDO and PGI .....	20
Diagram 1: Number of registrations under PDO, TSG, PGI; Schemes on EU level.....	26
Diagram 2: Number of registered products by category .....	26

## INTRODUCTION

The main objective of this policy paper is to examine different aspects of EU agri-food quality schemes, developed for products with specific characteristics resulting from a particular origin, special ingredients or farming and production methods. The purpose of this paper is to examine in depth different aspects of this European policy and identify potential benefits for Serbian agri-food producers in applying it. Special attention will therefore be dedicated to assessment of Serbian state of affairs in regards, as well as to the opportunities that are now more present, due to the advancement of Serbia's negotiations with EU. Since many economic findings show, the registration of **Protected Designation of Origin (PDO)**, **Protected Geographical Indication (PGI)** and **Traditional Speciality Guaranteed (TSG)** usually results in the higher ability of producers to compete in the market, the paper will attempt to explore the opportunities and problems that the registration of regional and traditional products may bring to the Serbia's local agri-food production system.<sup>1</sup>

In order better comprehend the extent of this policy are, a brief description of the quality schemes is needed:

- **Protected Designation of Origin (PDO)**

- refers to agricultural products and foodstuffs which are produced, processed and prepared in a given geographical area using recognised know-how.

- **Protected Geographical Indication (PGI)**

- covers agricultural products and foodstuffs closely linked to the geographical area. At least one of the stages of production, processing or preparation takes place in the area.

- **Traditional Speciality Guaranteed (TSG)**

- covers agricultural products or foodstuffs that are produced using traditional raw materials or traditional methods of production, or that have traditional composition.<sup>2</sup>



Picture 1: Official logos for: PDO, PGI and TSG, Source: European Commission

<sup>1</sup> The study will cover only the quality schemes relating to food products, with respect to alcoholic beverages, wines and aromatic wines covered by other regulations, which will be analysed. These are EU Regulation 1308/2013 for the wine, EU Regulation 110/2008 for alcoholic beverages and EU Regulation 251/2014 for aromatic wines.

<sup>2</sup> Source European Commission: <http://ec.europa.eu/agriculture/quality/schemes/> (taken on 24.04.2014)

On the EU level, there is a constantly increasing number of registrations and requests for registration, which confirms that there is a growing interest of consumers for these types of products, as well as an interest of producers to use the registration as a tool to create competitive advantage for their products on the market. Also, the quality and reputation of EU products labelled under one of the quality schemes is considered to be an important development assets of the region.

The focus of the paper will therefore be mostly on the economic issues of the production and marketing of products and foodstuffs which are registered under the quality schemes.

Policy paper methodology includes the analysis of the existing academic literature, study of EU legislation and regulations on the subject, analysis of statistical data, a few case studies, as well as few interviews with relevant stakeholder, both from EU and Serbia.

## I. THE EU LEGISLATION CONCERNING PRODUCT QUALITY SCHEMES

European consumers, as well as those in generally more developed countries are now more than ever before showing an increasing interest in the quality, provenience and organoleptic properties of the food they acquire. The increasing interest and information flow, has led these consumers to search for a higher dietary, health and hygiene standards from the products they buy. Today, they look for specific products that guarantee better taste and quality level, which are often attributed to the specific origin or production method.

This increasing request from the part of the consumers, has brought to a 'quality turn' in the agro-food sector in Europe, which is ever more turning from the 'industrial world', which is usually heavily standardized quality conventions and logic of mass commodity production, to the 'domestic world', where quality conventions embedded in trust, tradition and place support more differentiated, localized and eco-friendly products and forms of economic organization.<sup>3</sup>

The problem with the issue of quality standards is that per se quality as a term is very hard to be defined. As stated by Warner, in the past, quality was commonly understood in terms of taste, ripeness, freshness, or flavour, as defined by actors involved in production, but recent consumer displeasure with the health, safety, homogeneity and environmental impacts of industrial farming finds expression through seeking alternatives to mass-produced, undifferentiated foods.<sup>4</sup>

EU is certainly aware of the changing situation in consumer perception, and has addressed consumer expectations in its Green Paper on agricultural product quality in 2008<sup>5</sup>. The paper underlines that one of the most important aspects of product quality, are certainly the quality attributes in the agricultural sector, especially those related to particular production methods which are often the result of local expertise and traditions.

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<sup>3</sup> Goodman D., 2003. The quality 'turn' and alternative food practices: reflections and agenda. J. Rural Stud.19: 1-7.

<sup>4</sup> Warner K.D., 2007. The quality of sustainability: Agro ecological partnerships and the geographic branding of California wine grapes. J. Rural Stud. 23: 142-155.

<sup>5</sup> Green Paper of 15 October 2008 on agricultural product quality [COM(2008) 641 final]

Even before the Green Paper, the EU has launched schemes for identifying and protecting the names of agricultural products and foods having specific qualities, these schemes are now a part of the EU's complex agricultural quality policy.

The first European legislation geographical indications and protected designation of origin for agricultural product and foodstuffs<sup>6</sup> was adopted in 1992. The legislation has certainly drawn a lot of inspiration from the existing national protection systems, like the French AOC (*Appellation d'Origine Contrôlée*) and the Italian DOC (*Denominazione d'Origine Controllata*).

In order for the protection schemes to be fully comprehended, a concept of *terroir*, to which the French AOC scheme is closely related needs to be addressed.

As explained by Hughes, the appellation laws were traditionally justified by the idea of *terroir*: that a particular land is a key input for a particular product. He says that the *terroir* is the idea of an “essential land/qualities nexus”: the local producers are entitled to exclusive use of a product name because no one outside the locale can truly make the same product. Of course, when the geographic name has great cachet (e.g., Bordeaux, Napa, or Swiss chocolate) exclusive control produces economic benefits for local producers, regardless of whether there is really anything unique about the local products.<sup>7</sup>

A *terroir* product is characterised by a specific geographical origin, developed over a long period of interaction with the local traditions, local environment, and savoir faire. Such factors are considered in applications for a PDO/PGI label (Hegnes 2012).<sup>8</sup>

The three quality schemes, which are all connected to the concept of *terroir* are:

#### **a) PROTECTED DESIGNATION OF ORIGIN (PDO)**

This scheme refers to products which are linked to a certain geographical area.

The main characteristics of PDO products are:

- It originates from a specific place, region or, in some specific, but rare case also a country
- The quality and characteristics of the product must be related to the particular geographic environment, with its specific natural and human factors

What this means is that products that want to claim a PDO logo have to prove that their characteristics are a result of the terrain and the abilities of the producers from that region.

It is important to denote that having only one of the two will not suffice in the application for a PDO. The link between the specific skills and the specific natural conditions of the terrain is essential. This must be emphasized because the lack of this strong link excludes all the products that have just one of the

<sup>6</sup> The legislation excluding spirit drinks and wine products (these sectors are regulated by a separate legislations)

<sup>7</sup> Hughes J.- Champagne, Feta, and Bourbon: The Spirited Debate About Geographical Indications, 2006 (page 301)

<sup>8</sup> Atle Wehn Hegnes, „Introducing and practicing PDO and PGI in Norway - Turning to protected quality through translations of meaning and transformations of materiality“, *Anthropology of Food*, 2012.

(<http://aof.revues.org/7210#entries>)

components. The specificity of the link is what gives the added value to the PDO products and what makes the consumer choose it among a large variety, no matter it usually higher price.

Some of the most renowned PDO's products include the French 'Roquefort', Italian 'Riccota di Buffala Campana', Spanish 'Jamon de Huelva', but also some fruit and vegetables, like the famous Italian 'Pistachio di Bronte' (pistachio) or German 'Stromberger Pflaume' (plum).

### **b) PROTECTED GEOGRAPHICAL INDICATION (PGI)**

This quality scheme is mainly in support to the producers of certain products that are linked to a specific geographical area.

The main characteristics of PDO products are:

- It originates from a specific place, region or, in some specific but rare cases also a country
- The quality and characteristics of the product are essentially a result of a particular geographical origin
- At least one of the production steps take place in the defined geographical area

PGI products are also usually characterized by a name, which identifies the type of product. These specific characteristics or reputation that is associated with the given area is what makes the product special and what attributes it the given name.

In order for a product to gain the PGI label, at least one of the production stages must be carried out in the identified area, but it is allowed for the raw materials used in the production to come from a different region.

Some of the most famous PGI products include, the Irish 'Clare Island Salmon', Italian 'Salame Felino', German 'Dormunder Beer', but also some fruits and vegetables like Portuguese 'Citros do Alentejo', Polish 'Jabłko łaskie' or German 'Franken- Spargel'.

### **c) TRADITIONAL SPECIALITY GUARANTEED (TSG)**

This quality scheme is very specific, as it can potentially involve many beneficiaries. Namely, the TSG logo can be used for all those products with distinctive features, which are a result of the use of traditional ingredients or are that are made by traditional methods.

The scheme can refer to products and foodstuff that:

- Are the results of a production process that corresponds to the traditional practice for that product or foodstuff
- is produced from raw materials or ingredients that are those traditionally used in the production of the given product of foodstuff.

Some of the most famous TSG products protected are certainly the Italian 'Mozzarella' and 'Pizza Napoletana', Spanish 'Jamón Serrano' as well Belgium's 'Kriek' and Netherlands 'Boerenkaas'.

Finally it is important to indicate another category of products that is gaining attention under the EU's quality policy, and those are the 'mountain products'. This category gained more attention especially after it was included in the new Reg. (EU) No 1151/2012 on quality schemes, which laid down a new framework



for the development of optional quality terms "mountain product"<sup>9</sup>. The Regulation also spiced a debate for an introduction of another optional quality term "product of island farming"<sup>10</sup>.

### EU Reg. (EU) No 1151/2012

*"The quality and diversity of the Union's agricultural, fisheries and aquaculture production is one of its important strengths, giving a competitive advantage to the Union's producers and making a major contribution to its living cultural and gastronomic heritage. This is due to the skills and determination of Union farmers and producers who have kept traditions alive while taking into account the developments of new production methods and material."*<sup>11</sup>

On 3<sup>rd</sup> January 2013, the newest regulation (Regulation (EU) No 1151/2012) on quality schemes for agricultural products and foodstuff entered into force. The new Reg. aims to assist the producers of agricultural products and foodstuffs to better communicate and position their product, which has specific characteristics and farming attributes to consumers, by ensuring:

- (a) fair competition for farmers and producers of agricultural products and foodstuffs having value-adding characteristics and attributes;
- (b) the availability to consumers of reliable information pertaining to such products;
- (c) respect for intellectual property rights; and
- (d) the integrity of the internal market.<sup>12</sup>

The aims of the Regulation are achieved through the regulation of the implementation of the quality schemes previously presented. As stated in the Regulation, the quality schemes contribute a:

- (a) value-adding characteristics; or
- (b) value-adding attributes as a result of the farming or processing methods used in their production, or of the place of their production or marketing<sup>13</sup>

The Regulation also regulates strictly the labelling of agricultural products and foodstuffs. The products are subject to the general rules laid down in Directive 2000/13/EC on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs. Since the date of application of the Regulation, in order to qualify for protection in the territories of Member States, designations of origin and geographical indications should be registered only at Union level.

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<sup>9</sup> For more information on the quality term 'mountain product' please consult: Fabien Santini, Fatmir Guri, Sergio Gomez y Paloma - Labelling of agricultural and food products of mountain farming, European Commission, Joint Research Centre, 2013

<sup>10</sup> For more information of the quality term 'product of island farming' please consult: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the case for an optional quality term 'product of island farming', 2013

<sup>11</sup> REGULATION (EU) No 1151/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 21 November 2012 on quality schemes for agricultural products and foodstuffs (page 1), Official Journal of the European Union, 14.12.2012

<sup>12</sup> Ibid. (page 7)

<sup>13</sup> Ibid. (page 7)

Very important is the fact that the protection is not reserved only to the Member States. The Regulation specifies that the protection should be equally available to designations of origin and geographical indications of third countries that meet the corresponding criteria and that are protected in their country of origin.<sup>14</sup>

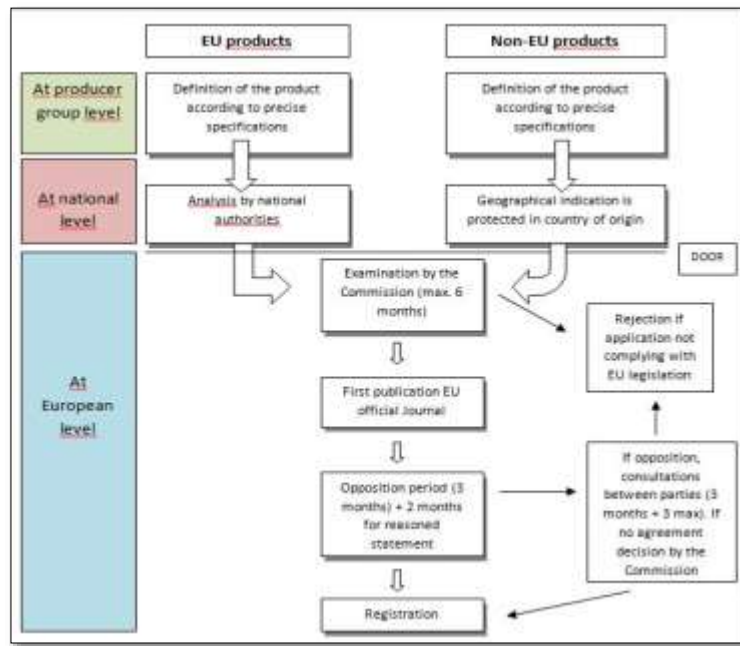
Quality schemes, Designation of origin and Geographical indications are an important issue of intellectual property, international trade and agricultural policies. That is why the new Regulation paid special attention in addressing all the aspects. Intellectual property rights (IPR) are an important economic generator, while international trade and agriculture benefit from the registration of these products, as they gain added value and a better position on the market. Also, the Regulation underlines that the added value of the geographical indications and traditional specialities guaranteed is based on consumer trust. Since consumer policies are extremely relevant in the EU, the Regulation addresses the issue by assuring that the quality declarations are credible and accompanied by effective verification and controls. The quality schemes are subject to a monitoring system, in line with the principles set out in Regulation (EC) No 882/2004<sup>15</sup> on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules, which requires a system of checks at all stages of production, processing and distribution. The most important provisions of Regulation (EC) No 882/2004 are mentioned also in the Regulation in relation to the controls of geographical indications and traditional specialities guaranteed products. The process for the registration of the protected product includes three main levels, the level of production/ producers, national level and the EU level. The process described in the following organogram explains all the steps and actors.

Firstly the producer group level defines the product and its characteristics according to precise specifications. After the definition is consolidated, the second step is the evaluation of the application by the relevant national authorities. This is the step where the procedure of EU and NON-EU products defer. The NON-EU product after the consolidated definition must go through the whole process of the product evaluation and registration on the national level, before being able to proceed to the step 3 which is the examination on the EU level, by the European Commission. This third step lasts up to 6 months from the date of submission and can have two outcomes, either the rejection of the application, because on the legal grounds, or approval which is then published in the EU Official Journal.

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<sup>14</sup> Ibid. (page 9)

<sup>15</sup> REGULATION (EC) No 882/2004 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules (OJ L 191, 28.5.2004, p. 1)



Picture 2: Registration process; source: European Commission

However, the trickiest phase at the EU level is the opposition period, which lasts up to 5 months (3+2 if necessary) and grants the opportunity to all raise opposition to the registration of the product. If the objections are valid and no compromise is found, the application will be rejected. On the other hand, if there are none, or if they have been resolved during the period of consultations, the EC then proceeds with the registration. All the phases on the EU level can be followed through the online platform DOOR, which contains data and files of all applications and registrations made at the EU level, by all countries.

The screenshot shows the DOOR platform interface. The header includes the European Commission logo and the text "AGRICULTURE AND RURAL DEVELOPMENT DOOR". The navigation bar includes links for "Legal notice", "FAQ", "Search", "Contact", and "Login". The main content area displays a list of designations with columns for Designation Number, Country, Name, App Type, Date, and Status. The list includes various products from different countries, such as "Hollandsche gederde" from the Netherlands and "Monte de Toledo" from Spain.

Designation Number	Country	Name	App Type	Date	Status
NL-PDO006/0178	Netherlands	Hollandsche gederde	PDI	12/05/2015	Registered
FR-PDO006/0178	France	Monte de Toledo	PDI	09/05/2015	Published
IT-PDO006/0178	Italy	Monte de Toledo	PDI	09/05/2015	Applied
FR-PDO006/0178	France	Monte de Toledo	PDI	09/05/2015	Published
PT-PDO006/0178	Portugal	Monte de Toledo	PDI	09/05/2015	Applied
BE-PDO006/0178	Belgium	Monte de Toledo	PDI	09/05/2015	Registered
ES-PDO006/0178	Spain	Monte de Toledo	PDI	09/05/2015	Published
FR-PDO006/0178	France	Monte de Toledo	PDI	09/05/2015	Published
FR-PDO006/0178	France	Monte de Toledo	PDI	09/05/2015	Applied
FR-PDO006/0178	France	Monte de Toledo	PDI	09/05/2015	Published

Picture 1: Online platform DOOR; Printscreen

## II. GOOD EXAMPLES - A case study of EU Member State's approach to registration of traditional products

### 1. CASE STUDY: Italy- Prosciutto Toscano, Parmigiano Reggiano, Mozzarella di Bufala and Napolitan pizza

At the national level, in Italy, product quality means quality of traditional products that is inevitably tied to the land, the environment and human talent. In this country the protection and promotion of food products has for years been the subject of a series of legislative measures, at the national level, that aimed at enhancing both individual food products, but also entire productive sectors of agriculture.

Currently Italy has 274 registered products, of which 49 cheeses, 104 and more different vegetables and fruits, 2 pastas and many other products. The Emilia-Romagna region currently boasts the primacy among the Italian regions for number of products recognized with the status of PDO and PGI. A total of 39 (19 PDO and 20 PGI) products have already obtained European certifications.



Picture 3: Tuscany ham

Tuscany ham or **Prosciutto Toscano**<sup>16</sup> is one of the many bright examples. This PDO in the class of meat products (cooked, salted, smoked, etc.) was registered in 1996. As stated by the producers association of the ham: "Nature, climate and the passion of the producers are united to create the flavour of Tuscan ham and keep it original. In order to protect the unique and characteristic identity of Tuscan pig breeding and production techniques, the Consorzio Prosciutto Toscano (the Tuscan Ham Consortium) was established in 1990 and in 1996 the Denominazione di Origine Protetta (D.O.P) (Denomination of Protected Origin) was obtained and the Associates began protected production in September 1997."<sup>17</sup>

Probably the brightest example worldwide is the PDO of **Parmigiano Reggiano**. This cheese is so renowned around the world that it has been imitated numerous times, and numerous times the Consortium of Parmigiano Reggiano producers and EC also had to start legal proceedings against the misuse of the name and brand of this product.

Apart from its particular organoleptic characteristics and the typical production methods, reserved for the region of Emilia Romagna, or more specifically the "Reggiano"(Parma, Bologna, Modena etc.), the producers of this product were very forward thinking. As stated by the Consortium "After the Second

<sup>16</sup> For more information on this PDO: <http://www.prosciuttotoscano.com/>

<sup>17</sup> Source: <http://www.prosciuttotoscano.com/>

World War, when agriculture was undergoing radical changes, Parmigiano-Reggiano producers created a Consortium and set rules to guarantee the maintenance of some traditional aspects of their milk and dairy production process. A fundamental decision was the one codified in the first Regulation for the Feeding of Dairy Cattle in 1957 according to which the feeding of cows was to be based on local forage, to be preserved by the traditional drying process (haymaking) and the use of fermented forage, such as maize silages, was banned. The 60s and 70s were the years when highly-productive agricultural methods were being established and the maize silage technique certainly met these needs of high productions at lower costs. However, this also caused qualitative problems in the production of long maturation cheese.”<sup>18</sup>



Picture 4: Parmigiano Reggiano

As it can be seen, the producers understood early on the importance of protecting the authenticity and quality of their product, and with time created the most powerful agri-food product Consortium and PDO. That powerful that the EU had to intervene in the defence of it against Germany. In the case against Germany, European Commission decided to take the “parmesan” matter back to the European Court of Justice following the refusal of Germany to safeguard the Protected Origin Name (DOP) “Parmigiano-Reggiano” and its translation “parmesan”. On February 26, 2008, the European Court of Justice ruled that “Only cheeses bearing the protected designation of origin ‘Parmigiano Reggiano’ can be sold under the name ‘Parmesan’”. This case proves the importance of a well-functioning and organized Consortium, which combines all approved dairy producers. The Consortium is also officially assigned the tasks of assuring the production in accordance with the specification for the PDO (Protected Designation of Origin) and as stated before it has the task to ensure the proper use of the trademarks and to protect it against counterfeiting. Finally, it is also in charge of promotion campaigns and related activities.

Another very famous product is the ‘**Mozzarella di Bufala**’, or Buffalo Mozzarella, which has been registered since 1996. This product also has a very well-functioning Consortium created in 1981, which is also the only organisation acknowledged by the Department for Agricultural, Food and Forestry Policies of Italy for the protection, safeguarding, improvement and promotion of Mozzarella di Bufala. Mozzarella di Bufala Campana represents the most important PDO brand in central-southern Italy and is the third most important amongst the Italian PDO cheeses.

<sup>18</sup> Source: [http://www.parmigianoreggiano.com/where/parmigiano\\_reggiano\\_strengths\\_points.aspx](http://www.parmigianoreggiano.com/where/parmigiano_reggiano_strengths_points.aspx)



Picture 5: Mozzaarela di Bufala

However, this very important Italian food brand has suffered due to the Campania regions instability. In 2008, during the testing of some samples of buffalo milk traces of dioxin were found. These traces were attributed to the illegal practise of burning toxic garbage in the territories of Caserta and Naples provinces, which are controlled by Camorra.<sup>19</sup> This brought to the prohibition of sales both in Italy and abroad, which caused the brand to suffer as it lost many of its valuable customers. However, the Consortium raised the question of intensified controls and the mapping of polluted land, so the problem was contained. It is very important to underline that for example, the typical cow milk 'Mozzarella' is not protected as a PDO, but it was registered in as a Traditional Specialty Guaranteed and therefore it can be produced worldwide. Like mozzarella, also Napolitan pizza is a registered TSG. It was a hard battle for the Napolitan pizza lovers, but the EU ruling marked the end of a battle that began a quarter of a century ago aiming to protect Neapolitan pizzas from imitations. This TSG label means that all pizzerias aspiring to supply the 'real thing' must be controlled by a special commission that will check the production and product standards. However, on the other hand the protected status enables producers to not only promote their exclusivity, but also charge a premium for it. This pizza is also protected and promoted by the 'True Neapolitan Pizza Association' (Associazione Verace Pizza Napoletana, AVPN), which is a non-profit organization promoting the typical product made in accordance with the characteristics described in the International Regulations for obtaining a collective brand mark "True Neapolitan Pizza" ("Vera Pizza Napoletana"). The pizza must include San Marzano tomatoes and fresh buffalo mozzarella cheese, both of which are protected under EU's quality schemes and make this an exceptional quality product, important for the preservation of Italy's food heritage.

## 2. CASE STUDY: France – Ardèche chestnuts, Roquefort cheese, Bouchot mussels and Label rouge

Many associate the name Roquefort with the cheese, but few outside of France realise that the cheese carries the name of a French town and region where it is produced. French experts Bérard and Marchenay explain that the use of quality systems for promoting conservation of biological and cultural diversity, by means of adding value to products that hold intrinsic relations with their territory (*terroir*), in both its

<sup>19</sup> The Guardian, Ultimatum for Italy in Cheese Dioxin Scare, <http://www.theguardian.com/environment/2008/mar/28/food.italy> (09.06.2015)

environmental and cultural dimensions, and which are associated with traditional practices and knowledge (*savoirfaire*) and a collective memory.

As previously explained French are certainly alongside the Italian, pioneers in the protection of their traditional products. Alongside a very long list of protected wines, and other spirits like cider, French have an admirable amount of agri-food products protected under the quality schemes, like:

**Ardèche chestnuts**<sup>20</sup>- The production of chestnuts was for a long time one of the main activities in the Ardèche region or department in the centre–south of France. Local communities learned to identify, select, and graft a large variety of chestnuts and understood that organoleptic qualities vary from place to place, according to local practices and customs. It is said that in Ardèche social, cultural, and economic life revolve around chestnut production. This product is therefore very closely connected to the previously explained French concept of *terroir*. In A the traditional species of cheesnuts and methods of production stayed thruth to their roots even when the introduction of hybrid varieties seemed like a more viable option. The producers however realised that this would have been a complete distortion of the traditional production system. The producers therefore decided to protect their products and grant them the needed added value by requesting the recognition of a denomination of origin, which was granted to them in 2006 and covers 19 varieties of exclusively local chestnuts, permitting only traditional agroforestry of chestnuts in the area.



Picture 6: Ardèche chestnuts

**Roquefort cheese**<sup>21</sup>- A cheese like Roquefort is mentioned in literature as far back as 79 AD, when Pliny the Elder in ancient Rome remarked upon its rich flavour in his book. Cheese-making colanders have been discovered amongst the region's prehistoric relics. Throughout its history, it has conquered the palaces and enraptured the palates of kings and emperors. In 1411, Charles VI enjoyed it so much that he granted the people of Roquefort the monopoly of ripening the cheese in their caves as they had done for hundreds of years. During the Age of Enlightenment, the French philosopher Diderot attributed the title “King of Cheeses” to Roquefort cheese, declaring in 1782 that “Roquefort cheese is without doubt the finest cheese in Europe”.<sup>22</sup>

In 1925 it was the first cheese to be granted the title of “Appellation d’Origine Contrôlée –AOC”, which means Controlled Designation of Origin and is a guarantee of Controlled Designation of Origin on an international level. In 1961, the Tribunal de Grande Instance at Millau (Aveyron) declared that although

<sup>20</sup> More on Ardèche chestnuts: <http://www.chataigne-ardeche.com/fr/chataigne-aoc/>

<sup>21</sup> More on Roquefort cheese: <http://www.roquefort.fr/en/news/discovering/the-cheese/production/>

<sup>22</sup> Source: <http://www.frenchentree.com/tarn-aveyron-food-drink/DisplayArticle.asp?ID=16885>



the cheese could be made in many regions of southern France, it could only be classed as true Roquefort if it was ripened in the natural caves of *Mont Combalou* in the village of Roquefort-sur-Soulzon.

There are seven Roquefort producers. The largest by far is Roquefort Société.



Picture 7: Roquefort cheese

The “**Bouchot Mussels**”<sup>23</sup> are the first French Traditional Specialty Guaranteed. The TSG was obtained in 2013 due to the traditional and special way these Mussels are produced. To receive the TSG label, only two species of mussels can be bred: either *Mytilus edulis* or *Mytilus galloprovincialis*. This example is very special, because it is very hard to register this kind of product under the quality schemes of the EU.

But the “Bouchot” method is a particular method of breeding that was developed by a Scottish sailor, Patrick Walton, who ran aground in the bay d’Aiguillon in 1235. The method includes the “bouchot”, that is a wood column fixed in the sand of a shore on which mussels are bred.



Picture 8: The “Bouchot Mussels”

*Pleine Mer* Company from the Normandie explains that mussel breeding in the Bay of Mont-Saint-Michel was born in 1954, in the Vivier sur mer village. This new activity grew quickly thanks to the good environmental conditions. Mussel culture on bouchot appeared on the east coast of Contentin peninsula, in Normandy, in 1956. But it is from 1963, on the west coast, that this culture grew rapidly, particularly in the Agon and Pirou areas.<sup>24</sup>

<sup>23</sup> More on the Bouchot Mussels can be found on : <http://www.pleinemer.com/mussel-work.htm>

<sup>24</sup> Source : <http://www.pleinemer.com/bouchot-en.htm> (26.05.2014)



In these 30 years after the II World War, Normandy became the first producing region of bouchot mussels in the world, in France, bouchot mussels were protected by AOP, but now include also EU's TSG quality mark.

In addition to all this, maybe it would not hurt also to mention the **Label Rouge**, French voluntary scheme which guarantees that products have a superior level of quality by the way they are produced or manufactured compared to other products from the same category. The product must comply at every stage of its production or preparation with a set of mandatory specifications.

"The Red Label certifies that a product has a specific set of characteristics establishing a superior level to that of a similar current product"<sup>25</sup>



Picture 9: Label Rouge

While Italy and France are certainly the most renowned examples and the world leaders in quality food products, the EU is aiming to promote these good practices also and especially among the Member States that joined more recently.

Therefore a few examples of successful products in the new Member States will be presented, with a special attention directed towards Slovenia and Croatia, as their product have many similarities with the products in Serbia.

### 3. CASE STUDY: The Newcomers- Poland and Slovakia's Bryndza and Slovenian Krainer sausage

#### a) POLAND and SLOVAKIA

Both Poland and Slovakia have just in the recent years started to implement EU's quality policies. Poland today has 36 registered products within the three schemes, while its neighbour Slovakia has only 17.

They do however share a very famous product, the Bryndza cheese, which is made from sheep's milk, and is produced since the 18th century in the mountain range that divides Slovakia from Poland. It is said that the best Bryndza is made in the summer with sheep's milk, because the animals are raised free at pastures.

This particular cheese, has been registered both in Poland and in Slovakia, with the adjective of the countries name. So today on the European Market, you can find Slovakian *Slovenská bryndza*, registered at the EU level as a PGI since 16 July 2008, and Polish *Bryndza Podhalańska*, which has been registered as a PDO on the EU level since 11 June 2007. This is an important example of how an almost identical product,

<sup>25</sup>Source: <http://agriculture.gouv.fr/le-label-rouge,10506> (26.05.2014)

can be protected in different countries. The case of bryndza cheese shows how the product can reserve benefits for all the producers, the Polish have registered it as a PDO, adding in this way a higher level of protection to the product and limiting the protection to the cheese produced in the Podhalanska region, while the Slovakian bryndza is well Slovakia, and is not limited just to the mountain region between Poland and Slovakia.

#### **b) SLOVENIA**

Another very interesting case among the newest EU Members is the case of Slovenia, which pays a lot of attention to the protection of its traditional products and has so far protected 14 wines and 22 products/foodstuffs through the European Union.

Slovenia stirred up quite an attention to the process of registration of some of its products. In fact, European media wrote a lot about Slovenian protected products and foodstuffs, especially the *Teran* and *Krainer* sausage.

After the EU published in the Official Gazette a summary of the Slovenian application for geographical protection of the *Krainer* sausage, appeals by Austria, Germany and Croatia were made. While Slovenia agreed with Austria and Germany regarding the protection of the *Krainer* sausage, there were serious difficulties in reaching an agreement with Croatia. Probably the most relevant was the discussion between the Slovenian and Croatian Ministry of Agriculture in regards to the topic of Krainer sausage registration. Croatia and Slovenia were at serious odds over this sausage. Croatian officials filed an objection with the European Commission to Slovenia's claim, leaving it up to Brussels to try to resolve the dispute. For them this issue was of particular importance, since the production of the sausage as the Croatian Ministry of Agriculture claimed has an annual revenue of around 13 million euros. The dispute went so far that it has a potential to become a serious brake to Croatia's accession to the EU. In fact EC was obliged to resolve the dispute prior to Croatia's entrance, and the EC decided based on the evidence to grant this exclusive PGI right for 'Kranjska klobasa' to Slovenia.

The dispute however raised a lot of media attention as well as more awareness about potential future disputes on these issues, since the countries of ex-Yugoslavia produce many similar products. Also, there is another dispute over the "Teran/Terrano" wine, who's protection by the Slovenia winemakers made Croatian wine producers in Istria cry for help, because when they decided they wanted to protect it, it turned out that Slovenia has already a few years before succeeded to protect the geographical origin of the wine on the EU level. This case proves how much attention producers must pay in order to protect their products, in due time, as well as to all the request for registration that EC publishes almost daily.

On the other side, these disputes can be sometime more easily solved, like in the agreement reached between Slovenia and Austria guarantees an appropriate protection of the *Krainer* sausage at the EU level. The agreement at the same time, protects the producers in Austria, who will be able to continue with the production of their products that contain the word 'kranjski' (Krainer), by continuing to use traditional names for these types of sausages - *Käsekrainer*, *Schweinskrainer*, *Osterkrainer* and *Bauernkrainer*. However this means that the name *Krainer* on its own cannot be used for the production of meat products anymore in Austria. It must be underlined that this prohibition also applies to the translation of Kranjska or Krainer, which only allows Slovenian producers to have the possibility of translating the name 'Krainer

sausage' to other languages, including to "Krainer Wurst" in German speaking countries. So for example, the Austrian product *Käsekrainer* cannot be sold in Slovenia as a *Krainer* sausage with cheese, because it could mislead the consumers.

It was important to present the case of Krajinska or Krainer sausage, since it is a good example illustrating how in certain cases the registration process is not at all that easy and how gastronomic traditions in Europe sometimes require a lot of mediation before a product can be solely connected to a country or a region. On the other hand, there are positive examples, such as the recent cooperation established between the Slovenian and Croatian producers currently progressing in the joint registration of the Istrian prosciutto. Specifically, this joint registration is primarily because an agreement was reached between producers on both sides and not due to political agreements.

Slovenia has among its products also the famous *Prekmurska gibanica*, a cake originating from the northeastern region of *Prekmurje*, which joined the EU list of traditional dishes whose recipe and traditional way of making are protected under the TSG scheme. Under this scheme the European Commission also registered *idrijski zlikrofi*, a type of ravioli from the western town of Idrija, '*Belokranjska pogača*', a type of bread typical of the south-eastern region of Bela Krajina. Several other Slovenian traditional foodstuffs are registered and a few are waiting to be registered by the Commission. According to information available on the DOOR, the European Commission website, there are 22 products registered, among which is also the PDO extra-virgin olive oil from Slovenian Istria '*Ekstra deviško oljčno olje Slovenske Istre*', PGI '*Kraška panceta*' and PDO '*Kraški med*' (honey).

The example of Slovenia is very relevant for Serbia, as it shows how the focus of the Slovenian Ministry of Agriculture towards the quality policies, as well as the efforts made by the agriculture producers associations in order to protect and add value to their products.

However, all the requests for the registration came about only after the accession of Slovenia to the EU. Similar case can be noted also with Croatia, who applied for its first registration only 5 days before the July 1<sup>st</sup> when it became the 28<sup>th</sup> Member of the EU. Croatia has since submitted another 10 requests and for now (while this study has been produced) has registered just three: *Krčki pršut* (ham), *Neretvanska mandarina* (mandarin) i *Ekstra djevičansko maslinovo ulje Cres* (olive oil)<sup>26</sup>. By the words of Croatian group leader for Agriculture in the negotiations with EU, Ms. Galo, the registration of traditional products should have been made a priority sooner in the process, so to assure the added value for Croatian products even before the full accession to the EU and Single Market.

### III. SERBIA AND GEOGRAPHICAL INDICATIONS - current situation and future perspectives

In Serbia registration of products is regulated by the Law on Indications of Geographical Origin (RS OG No. 18/2010), adopted by the Parliament on 22 March and entered into force on 3, April

<sup>26</sup> European Commission, DOOR, Denomination Information  
[http://ec.europa.eu/agriculture/quality/door/list.html?&recordStart=0&filter.dossierNumber=&filter.comboName=&filterMin.milestone\\_mask=&filterMin.milestone=&filterMax.milestone\\_mask=&filterMax.milestone=&filter.country=HR&filter.category=&filter.type=&filter.status=REGISTERED](http://ec.europa.eu/agriculture/quality/door/list.html?&recordStart=0&filter.dossierNumber=&filter.comboName=&filterMin.milestone_mask=&filterMin.milestone=&filterMax.milestone_mask=&filterMax.milestone=&filter.country=HR&filter.category=&filter.type=&filter.status=REGISTERED) (11.08.2015)

2010. The law replaced the previous version of the Law on Indications of Geographical Origin (SM OG No. 20/06).

As it is the case in the Reg. (EU) No 1151/2012, the provisions of this Law do not apply to wine or other alcoholic drinks, such as *rakija*, the protection system for these products is governed by separate regulations (Law on Wine and Law on Rakija and Alcoholic Beverages). The Law however is applicable to all goods as well as to services.

Serbian Law on Indications of Geographical Origin defines two categories of indications of geographical origin:

- a) appellation of origin
- b) geographical indication.

The category of Traditional Speciality Guaranteed (TSG) is not covered by the Serbian Law, and such registrations do not exist on the national level.

Experts from the Serbian Intellectual Property office, underline that the terminology and definition of appellation of origin have been taken from the Lisbon Agreement<sup>27</sup> for the Protection of Appellations of Origin and their International Registration, and that the geographical indication have been defined within the meaning of the article 22 of the TRIPS Agreement<sup>28</sup>. The protection granted to products under this law is also applicable within the EFTA Free Trade Agreement<sup>29</sup>

Art. 3. of the Law on Indications of Geographical Origin, defined the appellation of origin as a “geographical name of a region, locality, or country used to designate a product originating therein, the quality and specific characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors, and such product is produced, processed and prepared entirely within a specific geographical area”<sup>30</sup>.

According to the Art. 4. of the new Law<sup>31</sup>, geographical indication is defined as “any indication which identify particular goods as goods originating from the territory of specific country, region or locality within such territory, where a given quality, reputation or other characteristics of such goods can be essentially attributed to their geographical origin, and such goods are produced and/or processed and/or prepared within a definite geographical area.”<sup>32</sup>

The Law in art. 72. also regulates any unauthorized use of appellation of origin or geographical indication by any economic operator within the meaning of Articles 56 and 57 of this Law will be considered to constitute infringement of registered appellation of origin or geographical indication.

<sup>27</sup> Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, October 31, 1958, as revised at Stockholm on July 14, 1967, and as amended on September 28, 1979, found on: [http://www.wipo.int/lisbon/en/legal\\_texts/lisbon\\_agreement.html](http://www.wipo.int/lisbon/en/legal_texts/lisbon_agreement.html)

<sup>28</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights- the TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994.

<sup>29</sup> Annex VI – Intellectual property rights) (Official Gazette RS – International Agreements No 6/2010)

<sup>30</sup> Law on Indications of Geographical Origin (RS OG No. 18/2010)

<sup>31</sup> Law on Indications of Geographical Origin (RS OG No. 18/2010)

<sup>32</sup> Ibid.

Also, any imitation of the registered products indication will be deemed to constitute infringement of the Law.

In order for a producer to gain the protection of indications of geographical origin (appellations of origin and geographical indications), the recognition of authorised users of indications of geographical origin has to be filed with the Intellectual Property Office. The request also needs to include proof of specific characteristics of the product, in the form of specification including a description of manner of production of the product and precise designation of specific characteristics or qualities of the product, or data on reputation acquired. Experts from the Intellectual Property office precise that all applications of producers for recognition as an authorized user of indication of geographical origin need to be accompanied by a proof of activity and a product control certificate. They also underline that the intellectual property activities must obtain an opinion of the competent authority of the Republic of Serbia authorized for the field concerning the products or services protected by the appellation of origin or geographical indication with regard to the compliance with the registration requirements for appellation of origin or geographical indication. In case of agricultural products and foodstuffs, responsible authority is the current Ministry of Agriculture and Environment.

Once geographical indications and recognitions of authorized users has been approved, the results are published in the Journal of the Intellectual Property Office. Under Serbia's Law the period of protection for registered geographical indications is not limited, but the right to use a geographical indication is granted for three years from the date of entry of the authorized user in the appropriate register, and could be renewed for an unlimited number of times upon submission of new requests accompanied by the prescribed fee and the very important proof of unchanged quality of the product. This is where the Law defers from the Reg. (EU) No 1151/2012., in EU authorizations do not need to be renewed on three year basis, since the quality checks are a constant praxis. Firstly they are done on peer to peer bases, usually within the producer's consortium, but also by the market surveillance authorities. In Serbia on the other hand, the registration of a geographical indication or recognition of an authorized user of a geographical indication could be nullified if it was determined that, at the time of approval, the legal requirements for registration or recognition had not been fulfilled. However, the decision to recognize an authorized user could be revoked if the conditions for recognition had ceased to exist.



Picture 10: Serbian stamps of approval of PDO and PGI

In Serbia there is a total of 52 domestic geographical indications. Among them agricultural products and foodstuff are:

1. Veal ham from Uzice (Goveda užička pršuta),
2. Pork ham from Uzice (Svinjska užička pršuta),
3. Bacon from Uzice (Užička slanina),
4. Paprika flavoured sausage from Srem (Sremski kulen),
5. Home sausage from Srem (Sremska domaća kobasica),
6. Salami from Srem (Sremska salama),
7. Sausage from Pozarevac (Požarevačka kobasica),
8. Tea from Rtanj (Rtanjski čaj), Abstract in English
9. Hard cheese from Krivi vir (Krivovirski kačkavalj),
10. Sheep cheese from Homolje (Homoljski ovčiji sir),
11. Goat cheese from Homolje (Homoljski kozji sir),
12. Cow cheese from Homolje (Homoljski kravljji sir),
13. Petrovska sausage (Petrovska klobasa, Petrovačka kobasica),
14. Barbecue meat from Leskovac (Leskovačko roštilj meso (za pljeskavice i ćevapčice)),
15. Tobacco greaves from Valjevo (Valjevski duvan čvarci),
16. Hard cheese from Svrljig (Svrljiški kačkavalj),
17. Fresh sour cabbage from Futog (Futoški sveži kiseli kupus),
18. Honey from Homolje (Homoljski med),
19. Raspberry from Arilje (Ariljska malina),
20. Belmuz from Svrljig, cheese (Svrljiški belmuž),
21. Hard cheese from Stara planina (Staroplaninski kačkavalj),
22. Ajvar from Leskovac (Leskovački domaći ajvar),
23. Lime Tree Honey from Fruska Gora (Fruškogorski lipov med),
24. Honey from Kacer (Kačerski med),
25. Sheep Cheese from Sjenica (Sjenički ovčiji sir),
26. Lamb meat from Sjenica (Sjenička jagnjetina),
27. Hard cheese from cow milk from Pirot (Pirotski kačkavalj od kravljeg mleka)
28. Cheese from Sombor (Somborski sir)

29. Carp from Ečka (Ečanski šaran)
30. Cheese from Zlatar (Zlatarski sir)
31. Cheese from Sjenica (Sjениčki sir)
32. Ham from Vršac (Vršачка šunka)<sup>33</sup>

N.B.: Apart from the above named products, there is also a number of product registered in the name of foreign entities, which can be found in Annex 1.

The remaining number of products registered at the national level includes wines, beers, water as well as some traditional products like the very famous handmade Pirot carpets. However, Serbia has only three products<sup>34</sup> protected on the international level, through the Lisbon Agreement, but still none registered at the EU level. As stated before countries outside the EU are entitled to ask for European labels, provided that the European Commission is satisfied with the justification for the request<sup>35</sup>. Therefore, by registration of agricultural and food products with geographical indications at the EU level, Serbian producers would be provided with the same protection that the EU producers have for their registered products. In this way Serbia would make its products more recognizable on the EU market, which would contribute to the achievement of one of the priority objectives of agricultural policies - raising the competitiveness of domestic products.

Serbia due to its advancement in the accession process is now living a very favourable moment for starting the process of registration of its traditional products on the EU level. For example, geographical indications and traditional expressions related to the geographical origin of wines are already included in the Stabilisation and Association Agreement between the EU and Serbia, which are based on reciprocity are recognized and protected in the EU.

It is very important that Serbia starts this process as soon as possible, so that it does not have problems like the one with the protection of plum brandy "šljivovica", because the Czech have in 2007<sup>36</sup> protected their geographical origin of plum brandy from Moravia, titled "Slivovice"<sup>37</sup>. Serbia, on the other hand could gain the protection of its traditional spirit drink called "Serbian šljivovica (Srpska šljivovica) ", which could if marketed properly gain even a better recognition among consumers, like in the case of "Scotch whiskey".<sup>38</sup> However, the legislation covering the registration of spirit drinks largely differs from the under which foodstuffs fall, therefore one must always bear in mind the adequate regulations.<sup>39</sup>

<sup>33</sup> This list does not include wines, spirits as well as handmade products, which in Serbia are also a part of the GI registrations.

<sup>34</sup> Honey from Homolje (Homoljski med), Bermet wine and Ajvar from Leskovac (Leskovački domaći ajvar)

<sup>35</sup> Cina, Chile, South Africa, Canada, USA and Australia are among some third countries that also protected some of their products on the EU level.

<sup>36</sup> International Economic Review: A Step Closer to the EU <http://voiceofserbia.org/content/international-economic-review-step-closer-eu> (30.09.2014)

<sup>37</sup> Czech Republic has actually acquired a sort of derogation for its product which by its recipe to a certain extent falls out of the category 9 for spirit drinks (under which šljivovica is to be classified)

<sup>38</sup> Currently in EU there is several typical spirit drinks containing the name slivovica/šljivovica protected, however all of them have a prefix. For example: Bošaćka slivovica, Slavonska šljivovica etc.

<sup>39</sup> For spirit drinks that is EU Regulation (EC) 110/2008



Serbia also needs to pay close attention to the requests for registration made by other countries, especially those from the Western Balkans. Serbia has the right to challenge the requirements of a state for the protection of appellations of origin, geographic origin or for the category of "traditional products" for a product with all EU and non-EU countries, which is additionally facilitated by the fact that Serbia has signed the Stabilisation and Association Agreement.

As stated before Slovenia is the bright example among the neighbourhood countries, by the range of their products protected at the EU level, while other countries in the region, Serbia included have not managed to convince the producers of traditional products to protect them on the EU level.<sup>40</sup>

Commodity that has protected geographical indications, according to the Lisbon Convention, are not subject to tariff barriers, there is no prescribed quota for export to the EU market, and the domestic and foreign market sales are more expensive than products that do not have this feature.

Mrs. Bošković, in charged for the protection of geographical indications at the Serbian Intellectual Property Office says that the protection is beneficial both for the producers and consumers. These products she says, as a rule, have more value than others, in addition to the specific origin and organoleptic properties, they usually possess a higher quality and so the customers are willing to pay more for them. However in turn, consumers, especially those in the European countries expect that the product carries all the features and quality that are stated in the technical documentation for protection, which in case of Serbia's market is in the hands of the controlling authority of the Ministry of Agriculture and Environment.

The problem however in Serbia, as stated by Mrs. Bošković is that producers are not well organized, and are not able to perceive well the potential benefits from the registration and protection of their products, but see just the costs related. She continues by stating that it is very difficult to explain to Serbian farmers and producers that they need to pay for something now, and just maybe see the benefits in regards in the future, which may not even be so close. The lack of well-organized farmers and producers associations is surely one of the main reasons why there is not so much advancement in the protection of Serbian products, and why the potential of the already existing registrations is not being fully used. Mr. Bošković says that among the 49 registered products, only a few actively use their registration for adding value to their products, and states that among these 52 products there are those which do not even have an authorized user, like for example, Uzice ham. This however, does not mean that the ham cannot be sold, but that the one sold is probably not the original.<sup>41</sup>

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<sup>40</sup> Susana Pérez-Ferreras, "Community Protection of Geographical Indications: A Full Intellectual Property Protection"

[http://www.wipo.int/edocs/mdocs/geoind/en/wipo\\_geo\\_sfo\\_03/wipo\\_geo\\_sfo\\_03\\_4.pdf](http://www.wipo.int/edocs/mdocs/geoind/en/wipo_geo_sfo_03/wipo_geo_sfo_03_4.pdf) (1.10.2014)

<sup>41</sup>



## IV. ECONOMICS - Driving Force behind the Registration of Agri-Food Products

For the producers, integration into quality schemes is an opportunity to achieve greater market competitiveness, higher product specificity and the better interaction of all members in the chain performing together in the market.

There are a series of benefits and costs related to registration of geographical indications and traditional specialties designations. Economic wise the protection of PDOs, PGIs and TSGs is different from other forms of intellectual property protection. This is mainly because in the case of quality schemes, no invention is protected, but what gives the special attribute to the product is the geographical area.

It is argued that, in fact that innovation may itself be reduced by the protection of the GIs.<sup>42</sup> But Moschino in his work stated that the main trade-off in IP protection is mainly between the granting of a temporary monopoly to patent holders to encourage innovation and the restrictions that this imposes on imitators who could use that invention or innovation to produce goods for sale at lower costs.<sup>43</sup>

In terms of trade, since the inclusion of GIs in the TRIPS to the argument that extension of GI protection become of vital importance to its export industries, the EU, along with Switzerland and a handful of other countries, have kept the issue alive. The link with the agricultural negotiations is more political than procedural. The EU introduced the notion early on in the agricultural talks that issues such as GIs be included as integral parts of a package.<sup>44</sup>

European Union Advocate General Francis Jacobs underlined that it should also be borne in mind that, as is the case with trademarks, an unduly high level of protection of geographical indications and designations of origin would impede the integration of national markets by imposing unjustified restrictions on the free flow of goods.

The added value in the case of PDO, PGI and TSG protected products are the place of origin, as well as the resources of the region, like: landscape, environment, varieties of different species, culture and human resources.

It is very important to address the issue of registration of PDO's and PGI's in the sense of a cost and benefit it entails. While there are tangible benefits that the registrations brought to certain products, as well as to the development of certain regions, it is extremely important to underline the costs that registering and maintaining a good PDO and PGI assume. First of all, the cost of developing such protected name extends far beyond the direct costs of actually filling for registrations, it also creates costs related to applying to rules, methods, and specifications; costs of control; marketing costs etc. There are also some

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<sup>42</sup> Giovannucci et al. (2009)

<sup>43</sup> Moschini, GianCarlo, 2004, "Intellectual Property Rights and the World Trade Organization: Retrospect and Prospects," in Giovanni Anania, Mary E. Bohman, Colin A. Carter and Alex F. McCalla, *Agricultural Policy Reform and the WTO: Where are we heading?* Edward Elgar,

<sup>44</sup> Tim Josling - What's in a Name? The economics, law and politics of Geographical Indications for foods and beverages, IIS Discussion Paper No. 109, 2005

distinct external factors that determine success of such strategy more than any others. They comprise among others the existence of strong organizational and institutional structure, including producers associations; functioning equitable partnerships; strengths of market partners - mainly firms that can distribute the product and undertake its promotion and assure an effective legal protection of the registered products. These preconditions are essential for the development strategy for a certain specific product, if they are thoroughly managed, quality product names can then deliver many benefits, both to producers and consumers as well as to the whole regions.

While the costs of registration and subsequent maintenance of quality production standards are higher than those of regular products, the registration under one of the schemes and the usage of appropriate logo assures set of important benefits.

From the analysis of academic literature on the issue <sup>45</sup> we can identify some key benefits from usage of the EU quality schemes by the producers:

- a) receiving protection against unfair competition- only producers complying with the specification may use the name,
- b) commanding a considerable price premium over similar products of the same category,
- c) increasing sales through the same international distribution channels,
- d) steadying commercial relations and educing uncertainty on the trade and final markets as regards to volumes and/or prices of exchanged PDO and PGI products,
- e) benefiting from collective product promotion thanks to the presence of a collective organisation in charge of organising,
- f) defending and promoting represented PDO or PGI production system,
- g) having the opportunity to use EU promotion funds for quality products,
- h) offering more guarantees to final consumers (traceability of the product and its production process),
- i) increased differentiation of protected products on foreign markets,
- j) benefiting from good reputation of geographical names of origin of protected PDO and PGI products

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<sup>45</sup> Barjolle and Sylvander 2000, Marescotti 2003, Belletti et al. 2007, London Economics 2008, Giovannucci et al. 2009, Belletti and Marescotti 2011

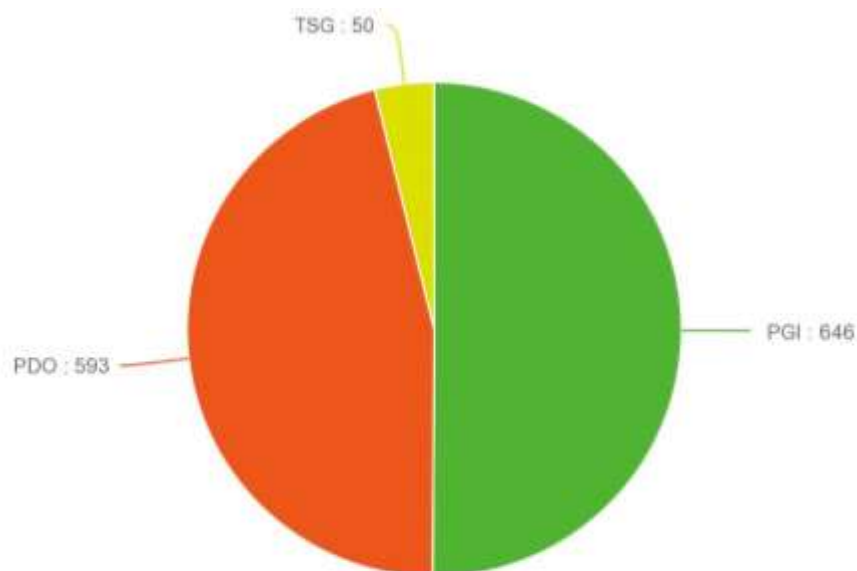


Diagram 2: Number of registrations under PDO, TSG, PGI; Schemes on EU level; Source: DOOR database

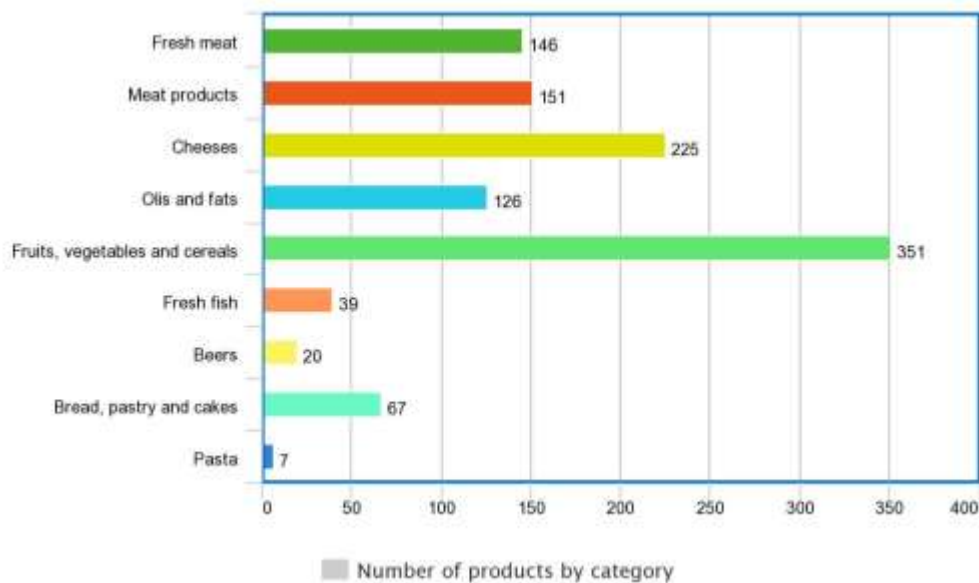


Diagram 1: Number of registered products by category; Source: DOOR database (July 2015)

The study commissioned by the Directorate General for Agriculture and Rural development for the assessment of the added value of the registration of PDO's and PGI's showed that additional gross margin

for GI production varies remarkably across the different case studies.<sup>46</sup> However the results of that study show also that “some of the highest additional margins for GI production were linked with rather low margins for standard production; at the other extreme, the absence of an additional margin for GI production in some cases involves nevertheless substantial margins in both GI and standard production.” Therefore, it was concluded that the most important factor for obtaining better prices for GI production is indeed the “context factor”, which needs to include the presence of an adequate level of awareness of, trust in and willingness to pay for GI products among consumers.<sup>47</sup>

Consumers also benefit, having a guarantee, via the quality systems and logos that they are buying authentic high quality foodstuffs and that cheap ingredients were avoided in the manufacturing process. European consumers are in average very well educated on their traditional products and the meaning of quality schemes. While making their choices, even if quality products usually have higher prices, they still choose them, because of the level of quality they guarantee.

The development production, domestic sales and exports of quality products can also contribute to agricultural and rural economy. If more added value production remains in rural areas, whole communities can benefit from: the maintenance of economic activities; improved job opportunities; spin-offs for other rural activities such as tourism (with the development of touristic contents on the farms and gastronomic tours), complementary effect on other products in region, elevated land values, socio-cultural valorisation etc.

Finally, we need to underline that EU is still working hard on developing further schemes for providing added value to EU products, such as the ‘mountain product’ and ‘product of island farming’. In fact the optional quality term of ‘mountain product’ can turn out to be a very beneficial one for Serbia in future, as many of the currently registered and protected products could flaunt those specifications as an added value. In fact, the EU study states that the “PDO and PGI are important in mountain areas and they provide already efficient marketing tools to retain value added at local level. The specificity of natural resources combined with high levels of social capital and strong identities implies that mountain areas are particularly fit for the implementation of geographical indications; there is however an important potential to further segment the market in terms of quantities.”<sup>48</sup> The potential of further development of these schemes can therefore also contribute to prevention of the progressive abandonment of the mountain and island villages, which is also a growing phenomenon in Serbia<sup>49</sup>.

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<sup>46</sup> External study: "Value of production of agricultural products and foodstuffs, wines, aromatised wines and spirits protected by a geographical indication (GI)" (2012)  
[http://ec.europa.eu/agriculture/external-studies/value-gi\\_en.htm](http://ec.europa.eu/agriculture/external-studies/value-gi_en.htm)

<sup>47</sup> Areté (Research and Consulting in Economics)- Study on assessing the added value of PDO/PGI products – Executive Summary, external study commissioned by the European Commission, 2013

<sup>48</sup> Fabien Santini, Fatmir Guri, Sergio Gomez y Paloma - Labelling of agricultural and food products of mountain farming, European Commission, Joint Research Centre, 2013, page 139

<sup>49</sup> The mountain villages in Serbia are slowly dying off due to a progressive immigration of younger generations towards the city.

## V. CONCLUSIONS

Operating in the European Union three quality schemes for producers are aimed at helping agricultural producers of regional and traditional products to communicate the unique product characteristics to buyers and consumers thus supporting their efforts to win the competition based on quality. Registering product under the PDO/PGI/TSG logo usually allows a producer to command a considerable price premium over similar products of the same category, but at the same time generates cost related to applying to rules, methods, and specifications; costs of control; marketing costs etc. In order to fully benefit from the system and thus improve stability and profitability of production, producers, in addition to meeting certain pre-conditions, must constantly develop their own production and marketing skills, within the framework of strong producers associations.

In case of Serbia, a most obvious conclusion following the previously presented data is that a set of supporting measures upholding the quality schemes for specific agricultural products or foodstuffs in long term is needed. Reforms and development aiming to insure a functioning system of certification and protection of already acquired registrations are of extreme importance for securing the added value for these traditional products and economic benefits for their producers. In Serbia, the lack of usage of already acquired protected denominations of origin is in fact the consequence of the missing system which would provide incentives for the maintenance of the registration, its marketing and protection. Even some of the most recognizable brands, like Leskovački ajvar don't actively use their registration meticulously because they count on their usual consumers to buy the products from reliable source.

There needs to be a turn in the approach towards this category of products. Sustainability must be the key principle, putting forward measures that will allow the market to better recognize and position this type of products. In order for the production of these products to be sustainable over time, a system providing support to the production and marketing, as well as a system of quality controls and law enforcement in this area of IPR.

In terms of harmonization with EU acquis and practice in this area, Serbia has still a long way to go. The reforms in this sector need to start from the governmental level, with the introduction of many novelties like the TSG scheme, the amendment of the existing or creation of the new laws, the creation of appropriate support schemes for the producers and a better promotion of traditional products on national and international level. As seen from the case studies outlined in the paper, the potential for the registration, protection and marketing of traditional products is an important factor also from the aspect of regional and rural development.

There is surely enough room for some Serbian products to register as quality products also on the EU level (especially since Serbia is in the process of the EU accession) and this process would certainly bring a lot of benefits to producers. However in order for these benefits to be achieved this implies first of all a full harmonization of Serbian law with EU legislation, specifically on the schemes to be protected, on the potential applicants, on the products (scope of the EU legislation limited to foodstuff) etc. and in its ability to educate and train further institutions in charge of its implementation (IPO, MoAE).

However as previously stated, the discourse moves beyond that mere legal aspect, since the main difficulty relates to the lack in the organisation of producers. Indeed, in order to be protected on any level, relevant

products have to respect some strict characteristics and specifications and therefore producers must learn to cooperate among them in order to achieve the full potential of the registration. Unfortunately, this step is still very difficult to take today in Serbia. While there are some very positive examples like Futoški kupus, there are also example with like Bermet, where there seem to exist different recipes for the same aromatic wine, which in the end creates a difficulty for consumer to acknowledge the real quality of the given product. There is also a difficulty to explain to producers the interest of such schemes, due to the lack of channels between the Ministry of agriculture and the producers (not enough producer organizations, no local offices of the ministry, no proper organisation of “advisory services”) apart the Chamber of commerce.

Finally, Serbia also needs to acknowledge its Balkan reality, where some products were/are made in different ex-Yugoslavian states with similar characteristics (case of Bermet again) and the possibility for a large number of disputes in relation with IPR and protection of some designations (for instance “pekmez”). Selection of the protection on the level of the Lisbon Agreement, concluded before opening negotiations with the EU, may also lead to certain problems, because this agreement it is not part of the EU *acquis*. The same contract was renewed recently at the Geneva conference, so some changes can be expect in terms of recognition by the EU.<sup>50</sup>

Serbia certainly should not put off the registration of its products until the moment of accession, like many other states did, especially since as seen from the case studies outlined in the paper, the potential for the registration, protection and marketing of traditional products is an important factor also from the aspect of regional and rural development.

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<sup>50</sup> Lisbon Agreement and news about the new act:

[http://www.wipo.int/lisbon/en/legal\\_texts/lisbon\\_agreement.html](http://www.wipo.int/lisbon/en/legal_texts/lisbon_agreement.html)

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Source: [http://www.parmigianoreggiano.com/where/parmigiano\\_reggiano\\_strengths\\_points.aspx](http://www.parmigianoreggiano.com/where/parmigiano_reggiano_strengths_points.aspx)

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**ANNEX 1.**

Geographical indications registered in the name of foreign entities:

Reg. no. 1 Dingač - Croatia

Reg. no. 2 Postup - Croatia

Reg. no. 18 Czech Budějovické BEER

Reg. no. 19 Budějovické BEER - BUDVAR

Reg. no. 20 Budějovické BEER

Reg. no. 21 Budějovický Budvar

Reg. no. 22 BUD (void)

Reg. no. 30 Montenegrin krstač

Reg. no. 31 Montenegrin Vranac

Reg. no. 32 Montenegrin Sauvignon

Reg. no. 33 Montenegrin Cabernet

Reg. no. 34 Montenegrin Merlot

Reg. no. 35 Montenegrin chardonnay

Reg. no. 39 Domestic Prosciutto (domaća pršuta)

Reg. no. 43 Montenegrin brandy

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This policy paper aims to examine different aspects of EU agri-food quality schemes, developed for products with specific characteristics resulting from a particular origin, special ingredients or farming and production methods. It examines in depth different aspects of this European policy and identifies potential benefits for Serbian agri-food producers in applying it. Special attention is dedicated to assessment of Serbian state of affairs in regards, as well as to the opportunities that are now more present, due to the advancement of Serbia's negotiations with EU.

Belgrade, 2015

